

**Forward Plan reference number:** FP/077/05/21

<b>Report title:</b> Essex Housing - Annual Delivery Plan 2021/22	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Councillor Lesley Wagland – Cabinet Member for Economic Renewal, Infrastructure and Planning	
<b>Date:</b> 29 July 2021	<b>For:</b> Decision
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<b>County Divisions affected:</b> All Essex	

### **Confidential Appendix**

This report has a confidential appendix which is not for publication as it includes exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

## **1. Purpose of Report**

- 1.1 Essex Housing is ECC's in-house development arm which works with public sector partners across Essex. In February 2021 it started to operate partly via Essex Housing Development LLP.
- 1.2 Essex Housing Development LLP is required to prepare an Annual Delivery Plan for Essex Housing that ECC will be asked to consider and approve. This report seeks approval of the Annual Delivery Plan for 2021/22.

## **2. Recommendations**

- 2.1 Agree the Essex Housing Annual Delivery Plan 2021/22 contained in the Confidential Appendix.
- 2.2 Note that that further formal decisions will need to be taken for each site for development, financing, and land disposal to Essex Housing Development LLP for 2021/22 as set out in paragraph 3.7.

## **3. Summary of issue**

- 3.1 Essex County Council established Essex Housing in 2016 to work with public sector partners throughout Essex to identify and bring forward land and assets for development. It is now five years into that journey and has established a significant and exciting development programme that will deliver great quality, sustainable homes and create fantastic places to live, while reinvesting

returns into important public services and improved outcomes for the residents of Essex.

- 3.2 Essex Housing works with public sector partners across the county to develop land for the benefit of Essex, specifically in order to help address general, specialist and affordable housing need. By developing with a social conscience, Essex Housing enhances important assets, putting design, quality and sustainability at the forefront of what it does and shaping places that Essex can be truly proud of, all while reducing the burden on the taxpayer, generating capital receipts and delivering revenue benefits.
- 3.3 Taking this approach to development allows Essex Housing to include measures that contribute to carbon reduction, such as electric car charging points, cycle storage, photovoltaic panels and air source heat pumps. It also means that Essex Housing can play a role in Essex County Council's equalities agenda by providing housing to meet the needs of some of our most vulnerable residents. For example, Essex Housing delivers Essex County Council's Independent Living for Older People schemes, as well as schemes that include apartments for Independent Living for Adults with Disabilities.
- 3.4 Essex Housing has completed a number of successful developments, worked with a range of partners including local authorities, NHS, Essex Police and Essex County Fire and Rescue Service. Essex Housing has been recognised nationally for its innovative approach through a number of publications and has been shortlisted for awards for both its operating model and completed developments. To date:
- Essex Housing has completed the construction of 64 units with a gross development value (GDV) of £17m
  - 59 units have been sold realising sales of £13.990m and the remaining 5 units are being marketed for sale.
  - 31% of the completed units are specialist units for people with learning disabilities which will deliver annual social care revenue savings of £365,000.
  - Across business cases already approved by ECC, Essex Housing's programme comprises of a further 919 units of which 48% are specialist/affordable.
  - 314 units have planning permission and a further 70 units are awaiting determination.
  - The GDV of the current programme is c.£267m (excluding units already delivered).
  - Essex Housing has secured over £3.4m of Government capital grant funding to overcome abnormal costs existing on Essex Housing schemes.
- 3.5 In July 2020, ECC Cabinet agreed to the establishment of a limited liability partnership, Essex Housing Development LLP ((FP-692-05-20) Essex Housing Optimisation Project) to carry out development activity. ECC is a member and designated member with a 99% interest and Seax Trading

Limited, a company 100% owned by ECC, is a member and designated member with a 1% interest. Surpluses generated from the Development LLP activities are to be returned to LLP members (Essex County Council and Seax Trading Limited).

3.6 As part of the Essex Housing Optimisation Project Cabinet Report, a five-year Business Plan was approved by Cabinet to outline the LLP's long-term objectives. This set out the blueprint to deliver an ambitious development programme, by building upon the work to date of the existing Essex Housing model. The purpose of the LLP is to further ECC's strategic aims and to deliver new housing and economic growth for the benefit of the area or persons resident or present in its area. Essex Housing contributes to the following priorities set out in the Council's Organisation Strategy:

- Enable more vulnerable adults to live independent of social care
- Help to secure stronger, safer and more neighbourly communities
- Help secure sustainable development and protect the environment
- Facilitate growing communities and new homes
- Limit cost and drive growth in revenue

3.7 Each year, an Annual Delivery Plan is required to set out indicative capital expenditure and the development programme for the LLP over the upcoming year. To progress a scheme identified in the Annual Delivery Plan, the following steps will be undertaken:

- The LLP Board considers each scheme based on a set of criteria established by ECC as set out in the Annual Delivery Plan;
- Where schemes are approved for exploration Essex Housing undertakes design, secure planning, undertake some site clearance activity and procure a building contractor (but not award the contract). If a scheme proves not to be viable then it can be abandoned at any time;
- Once the preliminary work has been completed the LLP board will consider the scheme and whether or not to ask the Council for funding and for the land to be transferred so that the scheme can proceed.
- If the LLP Board agree to this then ECC will decide whether or not to sell the land to the LLP and advance money. These are two separate decisions and will be taken by the relevant cabinet members for finance and property or by the Cabinet in accordance with the constitution
- Once the land has been transferred and finance is in place the LLP can sign the contract if approved by the LLP Board.

3.8 It is important to note that some schemes will be developed by the Council not the LLP, for example some schemes which involve developing a site where ECC will retain ownership, or Independent Living for Older People schemes. The Annual Delivery Plan clearly lists these schemes and outlines where they remain with ECC. These ECC schemes are not included within the financial summary tables within the Annual Delivery Plan.

3.9 The effect of approving the Annual Delivery Plan is to authorise the schemes for exploration and to develop final schemes. It does not authorise any land

transfer or any scheme finance to be loaned to the LLP. The sites that are listed within the Annual Delivery Plan are existing LLP schemes and new schemes have not been added into the overall programme through this report.

## **4 Options**

### **4.1 Option 1 – Agree the Annual Delivery Plan 2021/22**

This option would provide Essex Housing LLP with the indicative capital requirements to deliver the activity set out in the Annual Delivery Plan in the confidential appendix to bring forward new and existing LLP schemes. This will also further ECC's objectives as set out in 3.4.

### **4.2 Option 2 – do nothing**

This option would not maximise the potential benefits of the Essex Housing model. Furthermore, MTRS revenue benefits would not be realised.

## **5 Links to Essex Vision**

5.1 This report links to the following aims in the Essex Vision

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

5.2 This links to the following strategic aims in the Organisational Plan:

- Enable inclusive economic growth
- Help people get the best start and age well
- Help create great places to grow up, live and work
- Transform the council to achieve more with less

## **6 Issues for consideration**

### **6.1 Financial Implications**

The Annual Delivery Plan is required to set out indicative capital expenditure and the development programme for the LLP over the upcoming year. The update to the existing ECC capital programme sought within the Financial Overview First Quarter report elsewhere on this agenda, reflects the LLP funding required for 2021/22 and the 2022/23 requirement will be finalised through ECC's 2022/23 budget setting process. During the course of 2021/22 there are four schemes forecast to begin construction having previously achieved planning permission, therefore additional contractual commitments will be required beyond 2021/22.

The LLP is funded via working capital and development loan facilities from ECC. Funding of any future capital expenditure for the LLP will increase the Council's Capital Finance Requirement from borrowing. Funding received from the council will be repaid by capital receipts generated by the LLP

The detail of the capital and revenue budget profiling is contained in the confidential appendix to this document. The original ECC Capital loans Budget, as agreed by Council in February 2021 as part of the Medium Term Resource Strategy, and the current forecast summary taking into account the LLP Annual Delivery Plan 2021/22 is set out below:

	Capital Programme Expenditure (£'m)					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Current						
Forecast	(13.0)	(29.0)	(37.7)	(19.5)	(6.4)	(105.7)
Budget	(20.3)	(44.6)	(30.5)	(6.0)	0.0	(101.4)
Variance	7.2	15.6	(7.2)	(13.5)	(6.4)	(4.3)

The variances presented are included in the Financial Overview First Quarter report.

Through the activities driven by the LLP, the intention is to obtain planning permissions at the earliest opportunity, subject to development risks associated with any individual scheme.

The underspend of Essex Housing LLP Capital Loans of £7.2m against budget in 2021/22 is due to slippage requests as a result of programme delays. Delays have been caused for a variety of reasons including planning determination and pre-construction commencement activity (contractor tender and site mobilisation) across various schemes. Seven schemes are not expected to result in planning permission being granted until after the originally projected date. Two of those scheme dates now falling outside of 2021/22. The spend is re-profiled out to future financial years.

In terms of project financing and associated risk to ECC:

ECC is expected to receive income as a result of providing loans to the LLP. ECC borrow at PWLB rates which are lower than the rate at which ECC lends to the LLP. Any margin between the two rates will be realised by ECC as income. Due to the adverse movement on the capital programme in 2021/22, the level of income will be lower than the budgeted value of £0.6m. This is detailed in the confidential appendix.

In addition, the costs of any scheme that does not achieve planning consent will need to be borne by the LLP. This could place additional financial pressure on ECC in the longer term as other schemes will need to compensate and loan repayments may take longer.

## **6.2 Legal implications**

- 6.2.1 The LLP Agreement between ECC, Seax Trading Ltd and Essex Housing Development LLP that constitutes the LLP sets out the matters that require approval by ECC. A plan that sets out the company's investment and business strategy (including the Annual Delivery Plan) is subject to approval by ECC under the LLP Agreement.
- 6.2.2 The decision of the Cabinet will take effect as a decision by ECC as Member of the LLP.

## **7 Equality and Diversity implications**

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **8 List of appendices**

A - Confidential Appendix – Essex Housing Annual Delivery Plan 2021/22

B - Equality Impact Assessment.

## **9 List of Background papers**

Essex Housing Optimisation Project Cabinet Report

Essex Housing Five Year Business Plan 2020-2025